

In general, shipping and handling or delivery charges are includable in the gross receipts subject to tax unless the buyer and seller agree upon such charges separately from the selling price of the tangible personal property which is sold. In addition, such charges must be reflective of the costs of shipping and delivery. To the extent that these charges exceed the costs of shipping, they are subject to tax. See 86 Ill. Adm. Code 130.415. (This is a GIL).

July 13, 1999

Dear Mr. Xxxxx:

This letter is in response to your letter dated May 28, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

This past March you answered a letter I had written in regard to some general questions. I now would like to receive a **legally binding written opinion** to a specific question. In your answer, please give the explanation to the answer so that not only can I understand the answer but that I can explain it to our customers.

The specific question is in regard to freight charges and their taxability. The freight is handled in the following manner. As the seller of the product our company is based in STATE, we sell to buyers in Illinois via phone orders. We ship our product by common carrier, of which the buyer can choose among several carriers of their choice. The goods are shipped F.O.B. Shipping point and are separately stated on our invoice. The freight charges approximates the cost by the common carrier plus a handling charge to cover the internet packing and handling costs by COMPANY. As I interpret the law, since the freight charges to our customers exceed our cost by the common carrier the freight is taxable. Under these circumstances are the freight charges taxable?

If you have any questions in order to clarify the way we handle freight, please feel free to call me at ####. Thank you for your help in this matter.

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July 13, 1999

proposition, handling charges represent a retailer's cost of doing business, and are consequently always includable in gross charges subject to tax. See the enclosed copy of 86 Ill. Adm. Code 130.410. However, when such charges are stated in combination with shipping charges, they will be nontaxable to the extent the above tests are met.

The best evidence that shipping and handling or freight charges have been contracted for separately from the selling price is a separate contract for shipping and handling or freight charges. A separate listing of freight charges on an invoice, by itself, is insufficient. However, documentation that demonstrates that purchasers had the option of taking delivery of the property, at the sellers' location for the agreed purchase price, or having delivery made by the seller for the agreed purchase price, plus an ascertained or ascertainable delivery charge, will suffice.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Gina Roccaforte  
Associate Counsel

GR:msk  
Enc.